

GRAVES COUNTY SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

Year ended June 30, 2009

GRAVES COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
and Members of the Board of Education
Graves County School District
Mayfield, Kentucky

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Graves County School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Graves County School District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements*, *Appendix II of the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract – Electronic Submission*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Graves County School District as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated November 12, 2009, on my consideration of the Graves County School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 34 through 35, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Graves County School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Graves County School District. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Benton, Kentucky
November 12, 2009

**GRAVES COUNTY PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

As management of the Graves County School District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$3,307,712.
- The combination of “all funds” yielded \$41,827,400 in revenue (not including beginning balances or escrowed funds), which primarily consisted of the state program (SEEK), property, occupational, utilities, in lieu and motor vehicle taxes. The combination of “all funds” yielded \$41,532,243 in expenditures. The ending balance for all funds, excluding construction, was \$2,585,716.
- Property assessments generated on August 1, 2008 and then certified to the District Board of Education by the Commissioner, showed total real and personal property valuation at \$1,113,641,743 and motor vehicle valuation at \$194,754,486. At a real estate rate of 35.3 and personal property tax rate of 35.3 cents per \$100 of assessed property, the calculated collection would yield \$4,689,238.
- During FY09, the District received \$19,255,309 in state Support Education Excellence in Kentucky (SEEK) funds. This is \$245,814 more than the prior year. The guaranteed per pupil base increased by 1.15% from \$3,822 to \$3,866 per student. Transportation was not fully funded through the SEEK calculation during FY09. Full funding would have been \$2,618,851. Funding was prorated at 66.2% for a total of \$1,733,680 and a difference of \$885,171. It should be noted that \$627,672 of these expenses was for new buses. Rising personnel costs and unpredictable fuel costs continue to make the reduction in transportation funding increasingly difficult to manage.
- Districts are funded through the SEEK calculation. A vital component of this calculation is the Average Daily Attendance (ADA). The final ADA for FY09 was 4,308.3. The District ADA showed no growth during the year. The growth is calculated by taking the difference between the end of the second month attendance figures in the prior year (FY08) and the end of the second month attendance figures in the current year (FY09).
- Salary increases during FY09 were set at 1.0 percent. This represents the minimum mandated by the Kentucky Department of Education. Part-time employees were limited to a pro rata share of the salary increase. In addition, the District must pay for small and large step increases and rank changes which year to year will add approximately 1.5% in salary costs. The District must also pay for associated benefits.
- The property purchased last year adjacent to the high school soccer field was graveled and fenced to provide parking for soccer and football stadium events. An additional two acres adjacent to the property became available and was purchased during this period.
- Approximately fifteen acres was purchased adjacent to the Knights of Columbus Hall in Fancy Farm to accommodate new school construction. Construction work began this period in anticipation of project completion before the beginning of the 2010/2011 school year.
- The replacement of obsolete waste treatment facilities at the Cuba and Farmington Elementary Schools with waste treatment ponds was completed this period.
- Eight school buses were purchased this period for \$627,672. Eighteen buses were sold generating \$43,567 in income. The superintendent’s vehicle and a bus garage vehicle were also replaced.

- The General Fund received \$31,565,733 in revenue, which primarily consisted of property taxes, state funding (SEEK), utility and motor vehicle taxes. Excluding inter-fund transfers, there was \$31,766,669 in General Fund expenditures, resulting in an over-expenditure of \$200,936 for the current fiscal year.
- On January 26 and 27, 2009, all of Graves County Kentucky experienced a major ice storm, which covered everything with approximately two inches of ice. There was widespread loss of public infrastructure due to downed power lines and damage to trees in and about school property. The high school was used as a warming and feeding station. Costs associated with feeding county residents were partially reimbursed by the State through the FEMA program. The district was fortunate to have full gasoline and diesel fuel tanks before the storm struck. Being the only source of vehicle fuel for the entire county for a period of time, the fuel pumps supplied fuel around the clock for all emergency repair vehicles, law enforcement, and any other needs authorized by the county emergency management team. The fuel was replaced by the emergency management team after it was no longer needed. There were no fuel costs incurred by the district, only labor.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 8 through 9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our food service operations and our self-insurance dental fund. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10 through 13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 33 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$20,878,106 as of June 30, 2009.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets as of	June 30, 2009	June 30, 2008	Change
Current Assets	\$ 2,250,818	\$ 3,789,225	\$(1,538,407)
Noncurrent Assets	<u>43,383,838</u>	<u>43,683,405</u>	<u>(299,567)</u>
Total Assets	<u>45,634,656</u>	<u>47,472,630</u>	<u>(1,837,974)</u>
Current Liabilities	2,608,496	3,080,467	(471,971)
Noncurrent Liabilities	<u>22,148,054</u>	<u>23,606,673</u>	<u>(1,458,619)</u>
Total Liabilities	<u>24,756,550</u>	<u>26,687,140</u>	<u>(1,930,590)</u>
Net Assets			
Investment in capital assets (net of debt)	21,046,251	19,829,734	1,216,517
Restricted	465,060	576,918	(111,858)
Unrestricted	<u>(633,205)</u>	<u>378,838</u>	<u>(1,012,043)</u>
Total Net Assets	<u>\$ 20,878,106</u>	<u>\$ 20,785,490</u>	<u>\$ 92,616</u>

Total Assets and Liabilities decreased during this period by \$1,837,974 and \$1,930,590 respectively, due, primarily, to the completion of facility improvements and paying maturing bonding obligations.

Current Assets reflect a decrease in cash that resulted from payments to individual vendors and contractors. Noncurrent Assets reflect the value of equipment and infrastructure offset by accumulated depreciation.

Noncurrent Liabilities reflect payment of bonding obligations.

The following presents a summary of revenue and expense for the fiscal year ended June 30, 2009, compared to the fiscal year ended June 30, 2008.

	June 30, 2009	June 30, 2008	Change
Program Revenues:			
Charges for Services	\$ 1,254,357	\$ 1,307,795	\$ (53,438)
Operating Grants and Contributions	12,775,954	7,116,707	5,659,247
Capital Grants and Contributions	<u>1,691,641</u>	<u>0</u>	<u>1,691,641</u>
Total program revenues	<u>15,721,952</u>	<u>8,424,502</u>	<u>7,297,450</u>
General Revenues:			
Taxes	7,027,168	6,892,344	134,824
Earnings on investments	62,702	224,739	(162,037)
State and formula grants	19,255,310	26,613,257	(7,357,947)
Gain (Loss) on retirement of assets	114,134	(17,157)	131,291
Insurance recoveries	0	284,285	(284,285)
Miscellaneous	<u>12,566</u>	<u>84,457</u>	<u>(71,891)</u>
Total general revenues	<u>26,471,880</u>	<u>34,081,925</u>	<u>(7,610,045)</u>
Expenses:			
Instruction	23,268,376	24,614,006	(1,345,630)
Student support services	1,715,589	1,323,182	392,407
Instructional support	2,095,390	1,660,046	435,344
District administration	1,074,706	873,523	201,183
School administration	1,774,414	1,642,491	131,923
Business support	634,577	709,758	(75,181)
Plant operations	3,439,093	3,519,716	(80,623)
Student transportation	2,954,136	2,779,239	174,897
Community services	542,131	516,909	25,222
Food Service Operation	3,246,792	3,127,976	118,816
Facilities acquisition and construction	326,342	522,842	(196,500)
Interest on long-term debt	973,761	1,004,648	(30,887)
Amortization	103,661	109,238	(5,577)
Other Debt Service	<u>87,675</u>	<u>0</u>	<u>87,675</u>
Total expenses	<u>42,236,643</u>	<u>42,403,574</u>	<u>(166,931)</u>
Change in Net Assets	<u>(42,811)</u>	<u>102,853</u>	<u>(145,664)</u>
Ending Net Assets	<u>\$ 20,878,106</u>	<u>\$ 20,785,490</u>	<u>\$ 92,616</u>

COMMENTS ON BUDGET COMPARISONS

- General fund budget compared to actual revenue varied from line item to line item with an ending result of \$27,674,594 or approximately 1.6% less than budgeted.
- The total cost of all programs and services was \$26,092,689, net of debt service.
- General fund budget expenditures to actual varied significantly in district administration as a result of the Board establishing a contingency totaling \$2,061,730.

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1 to June 30; other programs, i.e. some federal grants, operate on a different fiscal calendar, but are reflected in the District overall budget. By law the general fund budget must have a minimum 2% contingency. The District adopted a 2009-10 budget with \$1,326,093 in contingency (4.9%). The contingency suffered due to a decrease in state funding compounded with a 1% mandated salary increase. Belt tightening initiatives are being examined, and implemented, to offset revenue shortfalls. Revenue issues are expected to continue until the state budget crisis is over. The beginning cash balance for the new fiscal year is \$3,628,092. Significant Board action that impacts the finances include a state mandated 1.0% salary increase for district employees, and activities relating to the Fancy Farm Elementary School construction, and facility improvements throughout the District.

Questions regarding this report should be directed to Kenneth Galloway, Superintendent at (270)328-1541 or to Rodney S. Pearce, Director of Financial Services at (270)328-1544 or by mail at 2290 State Route 121 North, Mayfield, KY 42066.

GRAVES COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business- Type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 873,298	\$ (134,718)	\$ 738,580
Receivables:			
Taxes - current	332,341	0	332,341
Taxes - delinquent	1,173	0	1,173
Accounts receivable	155,881	10,535	166,416
Interest	1	0	1
Intergovernmental - state	209,238	0	209,238
Intergovernmental - federal	252,227	228,897	481,124
Inventories	106,279	61,202	167,481
Deferred bond issuance cost, net	154,464	0	154,464
Total current assets	<u>2,084,902</u>	<u>165,916</u>	<u>2,250,818</u>
Noncurrent Assets:			
Capital assets	57,788,563	4,202,504	61,991,067
Less: Accumulated depreciation	(17,124,672)	(1,482,557)	(18,607,229)
Total noncurrent assets	<u>40,663,891</u>	<u>2,719,947</u>	<u>43,383,838</u>
TOTAL ASSETS	<u><u>\$ 42,748,793</u></u>	<u><u>\$ 2,885,863</u></u>	<u><u>\$ 45,634,656</u></u>
LIABILITIES :			
Current Liabilities:			
Accounts payable	\$ 163,224	\$ 124	\$ 163,348
Due to school activity funds	141	0	141
Deferred revenue	463,086	0	463,086
Accrued interest	143,567	0	143,567
Current portion of bond obligations	1,590,000	0	1,590,000
Current portion of premium on bonds payable	14,337	0	14,337
Current portion of capital lease payable	84,041	0	84,041
Current portion of accrued sick leave	149,953	23	149,976
Total current liabilities	<u>2,608,349</u>	<u>147</u>	<u>2,608,496</u>
Noncurrent Liabilities:			
Noncurrent portion of bond obligations	20,305,000	0	20,305,000
Noncurrent portion of premium on bonds payable	186,378	0	186,378
Noncurrent portion of capital lease payable	139,767	0	139,767
Noncurrent portion of accrued sick leave	1,481,860	35,049	1,516,909
Total noncurrent liabilities	<u>22,113,005</u>	<u>35,049</u>	<u>22,148,054</u>
TOTAL LIABILITIES	<u><u>\$ 24,721,354</u></u>	<u><u>\$ 35,196</u></u>	<u><u>\$ 24,756,550</u></u>
NET ASSETS:			
Invested in capital assets, net of related debt	\$ 18,326,304	\$ 2,719,947	\$ 21,046,251
Restricted for:			
Construction	216,060	0	216,060
Accumulated sick leave	249,000	0	249,000
Unrestricted	(763,925)	130,720	(633,205)
TOTAL NET ASSETS	<u><u>\$ 18,027,439</u></u>	<u><u>\$ 2,850,667</u></u>	<u><u>\$ 20,878,106</u></u>

See independent auditor's report and accompanying notes to financial statements

GRAVES COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Instruction	\$ 23,268,376	\$ 91,360	\$ 6,926,681	\$ 1,691,641	\$ (14,558,694)	\$ 0	\$ (14,558,694)
Support Services:							
Student	1,715,589	0	622,112	0	(1,093,477)	0	(1,093,477)
Instructional Staff	2,095,390	0	1,350,938	0	(744,452)	0	(744,452)
District Administration	1,074,706	0	110,119	0	(964,587)	0	(964,587)
School Administration	1,774,414	0	327,518	0	(1,446,896)	0	(1,446,896)
Business	634,577	0	128,646	0	(505,931)	0	(505,931)
Plant operations and maintenance	3,439,093	12,924	0	0	(3,426,169)	0	(3,426,169)
Student transportation	2,954,136	0	665,854	0	(2,288,282)	0	(2,288,282)
Food service	306	0	0	0	(306)	0	(306)
Community service activities	542,131	0	500,871	0	(41,260)	0	(41,260)
Facilities acquisition and construction	326,342	0	0	0	(326,342)	0	(326,342)
Interest on long-term debt	973,761	0	212,642	0	(761,119)	0	(761,119)
Amortization - unallocated	103,661	0	0	0	(103,661)	0	(103,661)
Loss on early extinguishment of debt	83,553	0	0	0	(83,553)	0	(83,553)
Other debt service	4,122	0	0	0	(4,122)	0	(4,122)
Total governmental activities	38,990,157	104,284	10,845,381	1,691,641	(26,348,851)	0	(26,348,851)
Business-Type Activities:							
Food service	3,247,594	1,150,073	1,930,573	0	0	(166,948)	(166,948)
Loss on disposal of fixed assets	(1,108)	0	0	0	0	1,108	1,108
Total business-type activities	3,246,486	1,150,073	1,930,573	0	0	(165,840)	(165,840)
Total primary government	\$ 42,236,643	\$ 1,254,357	\$ 12,775,954	\$ 1,691,641	(26,348,851)	(165,840)	(26,514,691)
General Revenues:							
Taxes:							
Property					3,986,832	0	3,986,832
Motor Vehicle					816,326	0	816,326
Utilities					1,785,316	0	1,785,316
In Lieu of					438,694	0	438,694
Earnings on Investments					61,477	1,225	62,702
State and formula grants					19,255,310	0	19,255,310
Gain on retirement of assets					114,134	0	114,134
Miscellaneous					12,566	0	12,566
Transfers					(36,000)	36,000	0
Total general revenues					26,434,655	37,225	26,471,880
Change in net assets					85,804	(128,615)	(42,811)
Net assets at July 1, 2008					17,941,635	2,979,282	20,920,917
Net assets at June 30, 2009					\$ 18,027,439	\$ 2,850,667	\$ 20,878,106

See independent auditor's report and accompanying notes to financial statements

GRAVES COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES:					
Cash and cash equivalents	\$ 1,634,730	\$ (288,034)	\$ (664,772)	\$ 191,374	\$ 873,298
Accounts receivable:					
Taxes - current	332,341	0	0	0	332,341
Taxes - delinquent	1,173	0	0	0	1,173
Accounts receivable	130,913	24,068	900	0	155,881
Interest	1	0	0	0	1
Intergovernmental - state	2,638	206,600	0	0	209,238
Intergovernmental - indirect federal	0	252,227	0	0	252,227
TOTAL ASSETS AND RESOURCES	\$ 2,101,796	\$ 194,861	\$ (663,872)	\$ 191,374	\$ 1,824,159
LIABILITIES AND FUND BALANCE:					
LIABILITIES:					
Accounts payable	\$ 140,076	\$ 13,045	\$ 10,103	\$ 0	\$ 163,224
Due to school activity funds	141	0	0	0	141
Deferred revenue	0	181,816	0	0	181,816
TOTAL LIABILITIES	140,217	194,861	10,103	0	345,181
FUND BALANCES:					
Reserved for:					
Accrued sick leave	249,000	0	0	0	249,000
Construction projects	30,073	0	0	185,987	216,060
Unreserved:					
Undesignated, reported in:					
General fund	1,682,506	0	0	0	1,682,506
Capital projects funds	0	0	(673,975)	0	(673,975)
Debt service funds	0	0	0	5,387	5,387
TOTAL FUND BALANCES	1,961,579	0	(673,975)	191,374	1,478,978
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,101,796	\$ 194,861	\$ (663,872)	\$ 191,374	\$ 1,824,159

See independent auditor's report and accompanying notes to financial statements

GRAVES COUNTY SCHOOL DISTRICT
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
 FUNDS TO THE STATEMENT OF NET ASSETS**
 June 30, 2009

Total fund balance per fund financial statements		\$ 1,478,978
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$57,788,563 and the accumulated depreciation is \$17,124,672.		40,663,891
Inventories are not reported in the governmental funds because they are not available to pay current period expenditures. These assets are, however, included in the statement of net assets.		106,279
Certain assets related to bond issuance costs are not reported in the governmental funds because they are not available to pay current period expenditures. These assets are, however, included in the statement of net assets.		154,464
Advance payments received from the Murray Head Start program for building and equipment costs are not due and payable in the current period and, therefore, are not reported as liabilities in the funds, but are reported as deferred revenue in the statement of net assets.		(252,309)
The amount representing the future interest portion of the capital lease payable is not due and payable in the current period and, therefore, is not reported as a liability in the funds, but is reported as deferred revenue in the statement of net assets.		(28,961)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds payable	\$ (21,895,000)	
Capital lease payable	(223,808)	
Accrued interest on bonds payable	(143,567)	
Premium on bonds payable	(200,715)	
Accrued sick leave payable	(1,631,813)	
		<u>(24,094,903)</u>
Net assets for governmental activities		<u>\$ 18,027,439</u>

See independent auditor's report and accompanying notes to financial statements

GRAVES COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2009

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
From Local Sources:					
Taxes:					
Property	\$ 3,279,592	\$ 0	\$ 0	\$ 707,240	\$ 3,986,832
Motor Vehicle	816,326	0	0	0	816,326
Utilities	1,785,316	0	0	0	1,785,316
In Lieu of	397,495	0	0	0	397,495
Tuition	27,292	0	0	0	27,292
Earnings on Investments	61,424	0	0	53	61,477
Other local revenues	57,728	31,889	25,000	0	114,617
Intergovernmental - State	24,970,742	1,805,107	0	1,879,284	28,655,133
Intergovernmental - indirect federal	0	3,146,029	0	0	3,146,029
TOTAL REVENUES	31,395,915	4,983,025	25,000	2,586,577	38,990,517
EXPENDITURES:					
Current:					
Instruction	18,367,611	3,602,158	0	0	21,969,769
Support Services:					
Student	1,536,167	174,000	0	0	1,710,167
Instructional Staff	1,156,898	958,592	0	0	2,115,490
District Administration	990,116	0	0	0	990,116
School Administration	1,766,200	0	0	0	1,766,200
Business	635,237	0	0	0	635,237
Plant operations and maintenance	3,449,606	0	0	0	3,449,606
Student transportation	3,337,682	0	0	0	3,337,682
Food service	306	0	0	0	306
Community service activities	40,133	500,871	0	0	541,004
Facilities acquisition and construction	112,816	0	896,218	0	1,009,034
Debt service	101,108	0	0	2,484,003	2,585,111
TOTAL EXPENDITURES	31,493,880	5,235,621	896,218	2,484,003	40,109,722
Excess (deficit) of revenues over expenditures	(97,965)	(252,596)	(871,218)	102,574	(1,119,205)
OTHER FINANCING SOURCES (USES):					
Sale or comp for loss of assets	147,413	0	0	0	147,413
Proceeds of refunding bonds	2,212	0	0	1,488,932	1,491,144
Payment to refunded bond escrow agent	0	0	0	(1,483,553)	(1,483,553)
Operating transfers in	20,193	272,789	0	1,903,112	2,196,094
Operating transfers out	(272,789)	(20,193)	0	(1,903,112)	(2,196,094)
TOTAL OTHER FINANCING SOURCES (USES)	(102,971)	252,596	0	5,379	155,004
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(200,936)	0	(871,218)	107,953	(964,201)
Fund Balance, July 1, 2008	2,162,515	0	197,243	83,421	2,443,179
Fund Balance, June 30, 2009	\$ 1,961,579	\$ 0	\$ (673,975)	\$ 191,374	\$ 1,478,978

See independent auditor's report and accompanying notes to financial statements

GRAVES COUNTY SCHOOL DISTRICT
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES**
 For the Year Ended June 30, 2009

Net change in total fund balances per fund financial statements	\$ (964,201)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$(1,913,854) and gross proceeds from the disposal of assets of \$(147,413) exceeded capital outlays of \$1,575,120 and gain from the disposal of assets of \$114,134	(372,013)
Inventories in the statement of activities differ from the amount reported in the governmental funds because inventories are recognized as an expenditure in the funds when they are purchased, and thus require the use of current financial resources. In the statement of activities, however, inventories are recognized as a current asset. This is amount of the decrease in governmental fund inventories.	(20,290)
Repayment of capital lease obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	101,108
The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net assets. This is the amount by which debt repayments of \$2,910,000 exceeds debt proceeds of \$(1,488,062)	1,421,938
In the statement of activities, certain operating expenses are recognized when they are incurred. In the governmental funds, however, expenditures for those items are limited to only those that use current financial resources. This is the amount of the increase in accrued sick leave	(96,086)
Advance payments from the Murray Head Start program for building and equipment costs are recognized as revenue in the funds when it is available. In the statement of activities, however, these advance payments are recorded as a deferred liability. This is the amount of the decrease in deferred revenue.	22,310
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount of the increase in interest payable	(2,840)
The accretion of a premium on a bond issue is a use of funds in the governmental funds. This accretion reduces the related long-term liability in the statement of activities.	14,337
The amortization of bond issuance costs reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds	(18,459)
Change in net assets of governmental activities	<u>\$ 85,804</u>

See independent auditor's report and accompanying notes to financial statements

GRAVES COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	<u>Food Service Fund</u>
ASSETS:	
Current Assets	
Cash and cash equivalents	\$ (134,718)
Inventory	61,202
Accounts receivable:	
Intergovernmental - federal	228,897
Other accounts receivable	<u>10,535</u>
Total current assets	<u>165,916</u>
Noncurrent Assets	
Capital assets	4,202,504
Less: accumulated depreciation	<u>(1,482,557)</u>
Total noncurrent assets	<u>2,719,947</u>
TOTAL ASSETS	<u><u>\$ 2,885,863</u></u>
LIABILITIES:	
Current Liabilities	
Accounts payable	\$ 124
Accrued sick leave	<u>23</u>
Total current liabilities	<u>147</u>
Noncurrent Liabilities	
Accrued sick leave	<u>35,049</u>
Total noncurrent liabilities	<u>35,049</u>
Total Liabilities	<u><u>\$ 35,196</u></u>
Net Assets	
Invested in capital assets, net of related debt	\$ 2,719,947
Unrestricted	<u>130,720</u>
Total net assets	<u><u>\$ 2,850,667</u></u>

See independent auditor's report and accompanying notes to financial statements

GRAVES COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2009

	Food Service Fund
	<hr/>
Operating Revenues:	
Lunchroom sales	\$ 1,102,590
Other operating revenues	<hr/> 47,483
Total operating revenues	<hr/> 1,150,073
Operating Expenses:	
Salaries and benefits	1,449,204
Contract services	16,676
Materials and supplies	1,674,606
Expendable equipment	638
Depreciation	105,425
Other operating expenses	<hr/> 1,045
Total operating expenses	<hr/> 3,247,594
Operating income (loss)	<hr/> (2,097,521)
Non-Operating Revenues (Expenses):	
Federal grants	1,496,582
Donated commodities	118,443
State grants	315,548
Interest income	<hr/> 1,225
Total non-operating revenues	<hr/> 1,931,798
Net income (loss) before transfers	(165,723)
Gain (loss) on fixed assets	1,108
Transfers from other funds	<hr/> 36,000
Change in net assets	(128,615)
Net Assets, July 1, 2008	<hr/> 2,979,282
Net Assets, June 30, 2009	<hr/> <hr/> \$ 2,850,667

See independent auditor's report and accompanying notes to financial statements

GRAVES COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2009

	Food Service Fund
Cash Flows from Operating Activities:	
Cash received from:	
Lunchroom sales	\$ 1,102,590
Other operating revenues	36,948
Cash paid to/for:	
Employees	(1,160,420)
Contract services	(16,676)
Materials and supplies	(1,585,634)
Expendable equipment	(638)
Other operating expenses	(1,045)
Net cash provided by (used in) operating activities	<u>(1,624,875)</u>
Cash Flows from Non-Capital Financing Activities:	
Non-operating grants received	1,306,951
Net cash provided by (used in) non-capital financing activities	<u>1,306,951</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of assets	(6,515)
Proceeds from sale of assets	1,179
Net cash provided by (used in) capital and related financing activities	<u>(5,336)</u>
Cash Flows from Investing Activities:	
Interest income received	1,225
Net cash provided by (used in) investing activities	<u>1,225</u>
Net increase (decrease) in cash and cash equivalents	(322,035)
Cash and cash equivalents, July 1, 2008	<u>187,317</u>
Cash and cash equivalents, June 30, 2009	<u><u>\$ (134,718)</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (2,097,521)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	105,425
In-kind grant from state	286,367
Commodities used	118,443
Changes in assets and liabilities:	
Inventory	(19,496)
Accounts receivable	(10,535)
Accrued sick leave	2,417
Accounts payable	(9,975)
Net cash provided by operating activities	<u><u>\$ (1,624,875)</u></u>
Non-Cash Investing, Capital, and Financing Activities:	
Food commodities received	\$ 118,443
Accrued sick leave	2,417
In-kind grant from state for benefits	286,367
Total Non-Cash Investing, Capital, and Financing Activities	<u><u>\$ 407,227</u></u>

See independent auditor's report and accompanying notes to financial statements

GRAVES COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2009

	Private Purpose Trust Funds	Agency Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$ 112,568	\$ 395,474
Accounts receivable	0	12,296
Due from Governmental Funds	<u>0</u>	<u>141</u>
Total Assets	<u><u>\$ 112,568</u></u>	<u><u>\$ 407,911</u></u>
 LIABILITIES:		
Accounts payable	\$ 0	\$ 12,801
Due to student groups	<u>0</u>	<u>395,110</u>
Total Liabilities	<u><u>\$ 0</u></u>	<u><u>\$ 407,911</u></u>
 NET ASSETS HELD IN TRUST	<u><u>\$ 112,568</u></u>	<u><u>\$ 0</u></u>

See independent auditor's report and accompanying notes to financial statements

GRAVES COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	Private Purpose Trust Funds
	<hr/>
Additions:	
Interest income	\$ 1,149
Contributions received	<hr/> 94,889
Total Additions	<hr/> 96,038 <hr/>
Deductions:	
Supplies and materials	6,279
Community services	38,583
Miscellaneous	<hr/> 239
Total Deductions	<hr/> 45,101 <hr/>
Change in net assets	50,937
Net assets, July 1, 2008	<hr/> 61,631 <hr/>
Net assets, June 30, 2009	<hr/> \$ 112,568 <hr/>

See independent auditor's report and accompanying notes to financial statements

GRAVES COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Graves County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Graves County School District ("District"). The Board receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Graves County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, and has no influence over the operation of the organizations.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Graves County School District Finance Corporation – In 1991, the Graves County, Kentucky, Board of Education resolved to authorize the establishment of the Graves County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency of the Board for financing the costs of school building facilities. The Board members of the Graves County Board of Education also comprise the Corporation's Board of Directors.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

GRAVES COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation (Continued)

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid for goods or services offered by the program and grants and contributions that are restricted to meeting the financial requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each function is self-financing or is subsidized by the general revenues of the District. The District does not allocate indirect expenses.

Fund Financial Statements – Fund financial statements are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three primary categories: governmental, business-type (proprietary), and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories, and a fund is considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of that individual fund are at least 5 percent of the corresponding total for all governmental and business-type funds combined.

Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets.

The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Agency funds are not involved in the measurement of results of operations; therefore measurement focus is not applicable to them.

GRAVES COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Accounting

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is always classified as a major fund of the District per GASB 34.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than agency funds or major capital projects) that are legally restricted to disbursements for specified purposes. They include federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) Building Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 - 3. The Construction Funds account for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (D) The Debt Service Funds are used to account for the accumulation of resources for and the payment of, general long-term debt principal and interest and related costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program and School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. This is a major fund of the District.

The District applies all GASB pronouncements to proprietary funds as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

GRAVES COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting – continued

II. Proprietary Fund Types (Enterprise Fund) (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and providing and delivering goods in conjunction with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (A) The Activity Funds (Agency Funds) account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- (B) The Private Purpose Trust Funds are used to report trust arrangements which benefit individuals, private organizations or other governments.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Property taxes levied to finance fiscal year 2009 are recorded when there is an enforceable legal claim and when the revenue is measurable and available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenues from non-exchange transactions must be available before it can be recognized.

GRAVES COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting (Continued)

Deferred Revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received, payments made by the State on behalf of the District and changes in accrued sick leave liability during the year are reported in the statement of cash flows of the proprietary fund as a noncash, noncapital financing activity.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Restricted/Unrestricted Resources

The District's policy is to expend restricted resources only when unrestricted amounts are insufficient or unavailable.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. Property taxes are levied on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes become delinquent after December 31.

The property tax rates for the year ended June 30, 2009, to finance the General Fund operations were \$.353 per \$100 valuation for real property, \$.353 per \$100 valuation for business personal property and \$.464 per \$100 valuation for motor vehicles.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000 with the exception of technology equipment for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed as a current operating expenditure.

GRAVES COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets (Continued)

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	12 years
General equipment	10-20 years

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

An approved budget can be amended by the Board and all budget appropriations lapse at year-end.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances at year end are reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

GRAVES COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and time deposits that are non-negotiable, to be cash equivalents for the governmental, proprietary and fiduciary funds. This definition is also used for the proprietary fund's statement of cash flows.

The District may invest funds in a bank depository selected by the Board, bonds of the United States, or instruments issued by political subdivisions of Kentucky, however, such investments must be approved by the Kentucky Department of Education.

Inventories

Inventories are stated at cost using the first-in, first-out method for both the governmental fund types and proprietary funds.

Inventories are expensed when used in the government-wide financial statements and recorded as an expenditure in the governmental fund types when purchased.

Nonmonetary assistance is reported in the proprietary fund at the market value of the commodities received/used.

Accrued and Long-Term Liabilities

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables and accrued liabilities, if any, payable from proprietary funds are reported in the proprietary fund financial statements.

In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Debt Costs

Debt issuance costs and unamortized discounts are included in the government-wide statements. Both debt issuance costs and discounts are amortized over the lives of the related debt issues using the straight-line method.

Fund Balance Reserves

The District reserves portions of fund equity which are legally segregated for a specific future use. Unreserved fund balances indicate that portion of fund equity which is available for appropriation in future periods.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, and the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governmental entities.

GRAVES COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2009

NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

Deposits

The District's policies regarding deposits of cash are discussed in Note A. The table presented below is designed to disclose the level of custody credit risk assumed by the District based upon how its deposits were insured or secured with collateral at June 30, 2009. The categories of credit risk are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the District (or public trust) or by its agent in its name;

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the District's name;

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name.

Types of Deposits	Total Bank Balance	Custody Credit Risk Category			Book Balance
		1	2	3	
Interest bearing	\$ 2,197,629	\$ 298,407	\$ 0	\$ 1,899,222	\$ 1,236,210
Non-interest bearing	5,070	5,070	0	0	5,026
Bond trust	5,386	5,386	0	0	5,386
Total	\$ 2,208,085	\$ 308,863	\$ 0	\$ 1,899,222	\$ 1,246,622

Breakdown per financial statements:

Governmental funds	\$ 873,298
Proprietary funds	(134,718)
Fiduciary funds	508,042
Total	\$ 1,246,622

GRAVES COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2009

Note D - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

Governmental Activities	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009
Capital Assets:				
Land	\$ 1,359,477	\$ 113,731	\$ 0	\$ 1,473,208
Land improvements	132,157	0	0	132,157
Buildings and improvements	44,004,410	32,465	0	44,036,875
Technology equipment	3,182,604	76,706	406,001	2,853,309
Vehicles	5,269,786	670,370	845,593	5,094,563
General Equipment	2,959,594	107,773	11,985	3,055,382
Infrastructure	65,667	105,009	0	170,676
Property under capital lease	503,327	0	0	503,327
Construction in progress	0	469,066	0	469,066
Totals at historical cost	<u>57,477,022</u>	<u>1,575,120</u>	<u>1,263,579</u>	<u>57,788,563</u>
Less: Accumulated depreciation				
Land improvements	13,216	6,608	0	19,824
Buildings and improvements	9,209,141	948,691	0	10,157,832
Technology equipment	2,007,266	341,577	375,200	1,973,643
Vehicles	3,955,506	288,443	845,593	3,398,356
General Equipment	1,110,210	217,501	9,507	1,318,204
Infrastructure	0	7,373	0	7,373
Property under capital lease	145,779	103,661	0	249,440
Total accumulated depreciation	<u>16,441,118</u>	<u>1,913,854</u>	<u>1,230,300</u>	<u>17,124,672</u>
Governmental Activities Capital Assets - Net	<u>\$ 41,035,904</u>	<u>\$ (338,734)</u>	<u>\$ 33,279</u>	<u>\$ 40,663,891</u>
Business-Type Activities				
Capital Assets:				
Buildings and improvements	\$ 3,147,257	\$ 0	\$ 0	\$ 3,147,257
Technology equipment	37,008	42,515	6,933	72,590
General Equipment	986,057	0	3,400	982,657
Totals at historical cost	<u>4,170,322</u>	<u>42,515</u>	<u>10,333</u>	<u>4,202,504</u>
Less: Accumulated depreciation				
Buildings and improvements	571,595	62,945	0	634,540
Technology equipment	32,870	4,699	6,933	30,636
General Equipment	782,929	37,781	3,329	817,381
Total accumulated depreciation	<u>1,387,394</u>	<u>105,425</u>	<u>10,262</u>	<u>1,482,557</u>
Business-Type Activities Capital Assets - Net	<u>\$ 2,782,928</u>	<u>\$ (62,910)</u>	<u>\$ 71</u>	<u>\$ 2,719,947</u>

Amortization expense of \$103,661 related to a capital lease was not allocated to governmental activities. It appears on the statement of activities as "unallocated".

Depreciation expense was charged to governmental functions as follows:

Instructional	\$ 1,427,662
Student support	8,866
Instructional staff support	8,735
District administration	26,298
School administrative support	8,214
Business support	2,216
Plant operation and maintenance	36,170
Student transportation	276,899
Community service	15,133
Total depreciation expense	<u>\$ 1,810,193</u>

GRAVES COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year ended June 30, 2009

NOTE E – BONDED DEBT AND CAPITAL LEASE OBLIGATIONS

The amount shown in the accompanying government-wide financial statements as bond obligations represent the District's future obligations to make bond payments related to school building revenue bonds issued by the Graves County School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
2001	\$ 6,550,000	3.400% - 4.500%
2002B	700,000	1.500% - 3.800%
2003	17,530,000	1.000% - 4.170%
2006	2,575,000	3.500% - 4.200%
2009R	1,525,000	2.500% - 3.700%

The District, through the General Fund, SEEK Capital Outlay Fund and the Facility Support Program Levy Fund is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Graves County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises should become the property of the District. The District is obligated to maintain property insurance on the school facilities, and the school facilities have been pledged as security to the holders of the bonds.

In March, 2009, the District defeased a portion of the 2000 Series bonds by placing the proceeds of the refunding bond issue 2009R in an irrevocable escrow account to provide for future debt service payments on the defeased bonds. The proceeds from the refunding bond issue were used to purchase U.S. government securities that were placed in the escrow account. The investments and fixed earnings from the investments are considered sufficient to fully service the defeased debt until the debt is called in February, 2010. This transaction will reduce the District's total debt service payments by \$84,725 over the life of the bonds. The economic gain (difference between net present values of the debt payments on the old debt and new debt) from this transaction was \$66,639. Accordingly, the refunded bonds have been considered defeased and therefore removed as a liability from the accompanying financial statements. The amount of the District's defeased bonds outstanding as of June 30, 2009 totaled \$1,400,000.

In 1991 the District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table on the following page sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, other than the defeased portion as noted above, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2009 for debt service (principal and interest) are as follows:

GRAVES COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2009

NOTE E – BONDED DEBT AND CAPITAL LEASE OBLIGATIONS – CONTINUED

Year	Graves County School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2009-2010	\$ 1,182,341	\$ 721,898	\$ 407,659	\$ 166,076	\$ 2,477,974
2010-2011	1,221,936	680,538	418,064	153,385	2,473,923
2011-2012	1,267,116	637,381	402,884	136,320	2,443,701
2012-2013	1,312,787	590,231	417,213	122,309	2,442,540
2013-2014	1,366,210	540,161	433,790	107,092	2,447,253
2014-2015	1,416,657	486,389	388,343	91,970	2,383,359
2015-2016	1,006,845	443,531	268,155	80,334	1,798,865
2016-2017	1,047,788	403,429	277,212	70,666	1,799,095
2017-2018	1,088,553	361,651	286,447	60,141	1,796,792
2018-2019	1,114,150	318,249	295,850	49,263	1,777,512
2019-2020	1,178,777	263,607	306,223	37,231	1,785,838
2020-2021	1,228,133	205,774	126,867	24,741	1,585,515
2021-2022	1,282,201	145,454	132,799	18,811	1,579,265
2022-2023	1,345,989	82,465	139,011	12,600	1,580,065
2023-2024	123,557	16,249	46,443	6,051	192,300
2024-2025	131,653	11,184	48,347	4,146	195,330
2025-2026	134,622	5,654	50,378	2,116	192,770
	<u>\$ 17,449,315</u>	<u>\$ 5,913,845</u>	<u>\$ 4,445,685</u>	<u>\$ 1,143,252</u>	<u>\$ 28,952,097</u>

Leases meeting certain criteria are treated as financings and accordingly such transactions are recorded as capitalized leases according to generally accepted accounting principles. The District leases various computers and related technology equipment pursuant to these types of leases and, as such, the cost is included with property and equipment. The related liability is recorded representing the present value of future lease payments (discounted at an implicit rate for the leases). Future minimum payments under the long-term capital lease obligation as of June 30, 2009 are as follows:

Year	Principal	Interest	Total
2009-2010	\$ 84,041	\$ 17,067	\$ 101,108
2010-2011	91,247	9,861	101,108
2011-2012	48,520	2,037	50,557
	<u>\$ 223,808</u>	<u>\$ 28,965</u>	<u>\$ 252,773</u>

A summary of changes in long-term debt is as follows:

Type	Balance June 30, 2008	Increase	Decrease	Balance June 30, 2009
Bonds payable	\$ 23,280,000	\$ 1,525,000	\$ 2,910,000	\$ 21,895,000
Capital lease	301,212	0	77,404	223,808
Premium on bonds	215,052	0	14,337	200,715
Accrued sick leave - governmental	1,535,727	167,938	71,852	1,631,813
Accrued sick leave - business-type	32,549	2,500	0	35,049
Totals	<u>\$ 25,364,540</u>	<u>\$ 1,695,438</u>	<u>\$ 3,073,593</u>	<u>\$ 23,986,385</u>

GRAVES COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2009

NOTE F – RETIREMENT PLANS

Certified employees are covered under the Teachers Retirement System of Kentucky ("KTRS"), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by Kentucky Department of Education (KDE).

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS website at <http://ktrs.ky.gov>.

Funding Policy - Contribution rates are established by KRS. For members who have established an account in the retirement system administered by the Commonwealth prior to July 1, 2008, members are required to contribute 9.855% of their salaries to KTRS. Members hired on or after July 1, 2008 pay an additional 1% of their salary to the medical insurance fund. The Commonwealth of Kentucky is required to contribute 13.105% of salaries. The federal program for any salaries paid by that program pays the matching contributions.

Medical Insurance Plan

Plan description – In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide post-retirement healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy – The post-retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement healthcare benefit, one and five tenths percent (1.5%) of the gross annual payroll of all active members is contributed. One-half (1/2) of this amount is derived from member contributions and one-half (1/2) from state appropriation. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system, defined benefit pension plan. Funding for the Plan is provided through payroll withholdings of 5% and a District contribution of 13.5% of the employee's total compensation subject to contribution. Employees hired on or after September 1, 2008 pay an additional 1% of their salary to the medical insurance fund. CERS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Employee's Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601.

GRAVES COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2009

NOTE F – RETIREMENT PLANS – CONTINUED

The District's total payroll for the year was \$23,941,700. The payroll for employees covered under KTRS was \$18,151,849 and for CERS was \$5,335,182.

The District's contributions to CERS for the year ended June 30, 2009 was \$1,009,298 which consisted of \$735,035 from the Board and \$274,263 from the employees, equal to the required contributions for the year. The contributions required and paid for CERS for the years ended June 30, 2008 and 2007 were \$1,140,109 and \$870,870, respectively. The District has no contribution requirement to KTRS; however the District paid \$244,952 from federal grant monies to KTRS in matching contributions for federally funded employees and the state paid KTRS \$2,185,510 in matching contributions, which is included in these financial statements as "on-behalf" payments in both revenues and expenses. Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

NOTE G – INSURANCE

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include worker's compensation insurance.

NOTE H – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

GRAVES COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2009

NOTE I – CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE J – LEASE AGREEMENT

The District ("Lessor") entered into a lease agreement with the Murray Head Start Program ("Lessee"), whereby the lessee agreed to pay the lessor \$212,000 as an advance for the term of the lease. These funds were received by the District in fiscal year ended June 30, 2004 and were reported as current revenue in the General Fund financial statements and deferred revenue in the government-wide financial statements.

The initial term of the lease agreement began on August 1, 2004, and ended on July 31, 2005. It is automatically renewable for 29 consecutive one year options at no additional cost. Under its terms, the lessor shall provide space including maintenance, utilities, insurance, and custodial services, for all children participating in the Murray Head Start Program. The intent of the parties is for the Murray Head Start Program to conduct activities over the stated 29 year period. Accordingly, rental income is being recognized annually over this period of time.

NOTE K - DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

General Fund	\$	200,936
Construction Fund		871,218
Food Service Fund		128,615

NOTE L - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency). The District has notified all terminated employees of this coverage as mandated.

NOTE M – COMMITMENTS

During the year ended June 30, 2009, the District took bids and awarded contracts for the construction of a new elementary school in Fancy Farm. The estimated cost of the project was \$9,827,000, which was estimated to be funded by SFCC special legislation of \$5,000,000, district bond proceeds of \$3,875,000, SFCC bond proceeds of \$660,000, District funds of \$265,000, and SFCC funds of \$27,000. Contracts to various vendors totaled \$7,225,868, plus \$240,000 to the construction manager, plus \$356,955 for architect/engineer fees. The total spent under these contracts during the fiscal year ended June 30, 2009 was approximately \$700,000. The majority of the remainder will be spent during the fiscal year ending June 30, 2010, as the District projects completion prior to the 2010-2011 school year.

GRAVES COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2009

NOTE N - TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Matching	General	Special Revenue	Technology Match	\$ 272,789
Operating	Special Revenue	General Fund	Indirect Cost	20,193
Operating	Capital Outlay	Debt Service	Debt Service	429,960
Operating	FSPK	Debt Service	Debt Service	1,473,152

NOTE O – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2009 consisted of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund:		
Agency Fund	\$ 0	\$ 141
Agency Fund:		
General Fund	141	0

NOTE P – ON BEHALF PAYMENTS

The Kentucky Department of Education makes certain payments on behalf of the District, including certain pension plan payments, health and life insurance premium payments and administrative fees. These payments have been recorded on the Statement of Activities by functional expense and as operating grants using the same functions and totaled \$5,960,347. This amount is not required to be included in the budgeted revenues or expenditures.

NOTE Q – PRIOR PERIOD ADJUSTMENTS

During the fiscal year, District personnel discovered some fixed assets that had not been tagged that had been purchased in a previous year. These assets were tagged at that time and added to the fixed asset system. The ending net assets from the prior year have been adjusted to account for these items as follows:

	<u>Governmental Activities</u>
Net Assets at June 30, 2008, per prior year audit report	\$ 17,807,228
Prior period adjustment for assets not tagged	134,407
Net Assets at June 30, 2008, as adjusted	<u>\$ 17,941,635</u>

NOTE R – COMPENSATED ABSENCES AND ACCUMULATED SICK LEAVE

Certified and classified employees of the District are entitled to payment of 30% of the value of accumulated sick and personal days upon retirement. Kentucky Revised Statutes allow the District to reserve up to 50% of the benefits. The District has \$200,000 as a General Fund balance reservation at the balance sheet date. The District recognizes the expense of these benefits when payment is made by the governmental fund to a retiring employee.

Accrued sick leave benefits are estimated by the vesting method. This entire future obligation is reported in the government-wide financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

GRAVES COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 3,031,716	\$ 3,031,716	\$ 3,279,592	\$ 247,876
Motor Vehicle	850,000	850,000	816,326	(33,674)
Utilities	1,665,000	1,665,000	1,785,316	120,316
In Lieu of	350,000	350,000	397,495	47,495
Tuition	57,000	57,000	27,292	(29,708)
Earnings on Investments	200,000	200,000	61,424	(138,576)
Other local revenues	89,300	89,300	57,728	(31,572)
Intergovernmental - State	19,725,497	19,725,497	24,970,742	5,245,245
TOTAL REVENUES	<u>25,968,513</u>	<u>25,968,513</u>	<u>31,395,915</u>	<u>5,427,402</u>
EXPENDITURES:				
Current:				
Instruction	14,772,535	14,772,535	18,367,611	(3,595,076)
Support Services:				
Student	1,038,731	1,038,731	1,536,167	(497,436)
Instructional Staff	780,782	780,782	1,156,898	(376,116)
District Administration	3,007,445	3,007,445	990,116	2,017,329
School Administration	1,431,144	1,431,144	1,766,200	(335,056)
Business	525,968	525,968	635,237	(109,269)
Plant operations and maintenance	2,989,706	2,989,706	3,449,606	(459,900)
Student transportation	2,834,007	2,834,007	3,337,682	(503,675)
Food services	0	0	306	(306)
Community services	0	0	40,133	(40,133)
Facilities acquisition and construction	60,000	60,000	112,816	(52,816)
Debt service	101,107	101,107	101,108	(1)
TOTAL EXPENDITURES	<u>27,541,425</u>	<u>27,541,425</u>	<u>31,493,880</u>	<u>(3,952,455)</u>
Excess (deficit) of revenues over expenditures	<u>(1,572,912)</u>	<u>(1,572,912)</u>	<u>(97,965)</u>	<u>1,474,947</u>
OTHER FINANCING SOURCES (USES):				
Sale or comp for loss of assets	5,000	5,000	147,413	142,413
Proceeds from bond issue	0	0	2,212	2,212
Operating transfers in	0	0	20,193	20,193
Operating transfers out	(175,458)	(175,458)	(272,789)	(97,331)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(170,458)</u>	<u>(170,458)</u>	<u>(102,971)</u>	<u>67,487</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(1,743,370)</u>	<u>(1,743,370)</u>	<u>(200,936)</u>	<u>1,542,434</u>
Fund Balance, July 1, 2008	<u>1,743,370</u>	<u>1,743,370</u>	<u>2,162,515</u>	<u>419,145</u>
Fund Balance, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,961,579</u>	<u>\$ 1,961,579</u>

See independent auditor's report and accompanying notes to financial statements

NOTE: The on-behalf payments of \$5,673,980 from the state are included in both revenues and expenditures in the actual column;
however, this amount was not required to be included in the budget.

GRAVES COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Other local revenues	\$ 0	\$ 0	\$ 31,889	\$ 31,889
Intergovernmental - State	796,886	796,886	1,805,107	1,008,221
Intergovernmental - Indirect federal	640,736	310,333	3,146,029	2,835,696
TOTAL REVENUES	<u>1,437,622</u>	<u>1,107,219</u>	<u>4,983,025</u>	<u>3,875,806</u>
EXPENDITURES:				
Current:				
Instruction	1,375,240	1,048,141	3,602,158	(2,554,017)
Support Services:				
Student support services	33,423	33,423	174,000	(140,577)
Instructional Staff	128,080	128,080	958,592	(830,512)
Community service activities	76,337	73,033	500,871	(427,838)
TOTAL EXPENDITURES	<u>1,613,080</u>	<u>1,282,677</u>	<u>5,235,621</u>	<u>(3,952,944)</u>
Excess (deficit) of revenues over expenditures	<u>(175,458)</u>	<u>(175,458)</u>	<u>(252,596)</u>	<u>(77,138)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	175,458	175,458	272,789	97,331
Operating transfers out	0	0	(20,193)	(20,193)
TOTAL OTHER FINANCING SOURCES (USES)	<u>175,458</u>	<u>175,458</u>	<u>252,596</u>	<u>77,138</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	0	0	0	0
Fund Balance, July 1, 2008	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See independent auditor's report and accompanying notes to financial statements

OTHER SUPPLEMENTARY INFORMATION

GRAVES COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2009

	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS AND RESOURCES:				
Cash and cash equivalents	\$ 0	\$ 185,987	\$ 5,387	\$ 191,374
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS AND RESOURCES	<u> 0</u>	<u> 185,987</u>	<u> 5,387</u>	<u> 191,374</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LIABILITIES AND FUND BALANCE:				
LIABILITIES:				
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u> 0</u>	<u> 0</u>	<u> 0</u>	<u> 0</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
EQUITY AND FUND BALANCES:				
Reserved for:				
Construction projects	0	185,987	0	185,987
Unreserved:				
Undesignated, reported in:				
Debt service funds	0	0	5,387	5,387
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u> 0</u>	<u> 185,987</u>	<u> 5,387</u>	<u> 191,374</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u> 0</u>	<u> 185,987</u>	<u> 5,387</u>	<u> 191,374</u>

See independent auditor's report and accompanying notes to financial statements

GRAVES COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 0	\$ 707,240	\$ 0	\$ 707,240
Earnings on Investments	0	0	53	53
Intergovernmental - State	429,960	868,886	580,438	1,879,284
TOTAL REVENUES	<u>429,960</u>	<u>1,576,126</u>	<u>580,491</u>	<u>2,586,577</u>
EXPENDITURES:				
Debt service	0	0	2,484,003	2,484,003
TOTAL EXPENDITURES	<u>0</u>	<u>0</u>	<u>2,484,003</u>	<u>2,484,003</u>
Excess (deficit) of revenues over expenditures	<u>429,960</u>	<u>1,576,126</u>	<u>(1,903,512)</u>	<u>102,574</u>
OTHER FINANCING SOURCES (USES):				
Proceeds of refunding bonds	0	0	1,488,932	1,488,932
Payment to refunded bond escrow agent	0	0	(1,483,553)	(1,483,553)
Operating transfers in	0	0	1,903,112	1,903,112
Operating transfers out	(429,960)	(1,473,152)	0	(1,903,112)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(429,960)</u>	<u>(1,473,152)</u>	<u>1,908,491</u>	<u>5,379</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	0	102,974	4,979	107,953
Fund Balance, July 1, 2008	0	83,013	408	83,421
Fund Balance, June 30, 2009	<u>\$ 0</u>	<u>\$ 185,987</u>	<u>\$ 5,387</u>	<u>\$ 191,374</u>

See independent auditor's report and accompanying notes to financial statements

GRAVES COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS

For the Year Ended June 30, 2009

	2000 BONDS FUND	2001 BONDS FUND	2002 BONDS FUND	2003 BONDS FUND	2006 BONDS FUND	2009 BONDS FUND	Totals Debt service Fund
REVENUES:							
From local sources:							
Earnings on investments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 53	\$ 0	\$ 53
Intergovernmental - State	205,043	223,786	0	99,116	52,493	0	580,438
TOTAL REVENUES	205,043	223,786	0	99,116	52,546	0	580,491
EXPENDITURES:							
Debt Service:							
Principal	110,000	590,000	55,000	660,000	95,000	0	1,510,000
Interest	95,043	181,398	13,956	591,025	92,581	0	974,003
TOTAL EXPENDITURES	205,043	771,398	68,956	1,251,025	187,581	0	2,484,003
Excess (deficit) of revenues over expenditures	0	(547,612)	(68,956)	(1,151,909)	(135,035)	0	(1,903,512)
OTHER FINANCING SOURCES (USES):							
Proceeds of refunding bonds	0	0	0	0	0	1,488,932	1,488,932
Payment to refunded bond escrow agent	0	0	0	0	0	(1,483,553)	(1,483,553)
Operating transfers in	0	547,612	68,956	1,151,909	134,635	0	1,903,112
TOTAL OTHER FINANCING SOURCES (USES)	0	547,612	68,956	1,151,909	134,635	5,379	1,908,491
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	0	0	0	0	(400)	5,379	4,979
Fund balance July 1, 2008	0	0	0	0	408	0	408
Fund balance June 30, 2009	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8	\$ 5,379	\$ 5,387

See independent auditor's report and accompanying notes to financial statements

GRAVES COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET--ALL ACTIVITY FUNDS
June 30, 2009

	Central Elementary	Cuba Elementary	Fancy Farm Elementary	Farmington Elementary	Lowes Elementary	Sedalia Elementary	Symsonia Elementary	Wingo Elementary	Graves County Middle School	Graves County High School	Totals (Memorandum Only)
ASSETS:											
Cash and cash equivalents	\$ 9,859	\$ 5,026	\$ 23,755	\$ 15,992	\$ 23,137	\$ 7,060	\$ 38,857	\$ 12,575	\$ 32,853	\$ 226,360	\$ 395,474
Accounts Receivable	0	1,488	0	177	0	117	0	40	0	10,474	12,296
Due from Governmental Funds	0	0	0	0	0	0	0	0	0	141	141
TOTAL ASSETS	<u><u>\$ 9,859</u></u>	<u><u>\$ 6,514</u></u>	<u><u>\$ 23,755</u></u>	<u><u>\$ 16,169</u></u>	<u><u>\$ 23,137</u></u>	<u><u>\$ 7,177</u></u>	<u><u>\$ 38,857</u></u>	<u><u>\$ 12,615</u></u>	<u><u>\$ 32,853</u></u>	<u><u>\$ 236,975</u></u>	<u><u>\$ 407,911</u></u>
LIABILITIES:											
Accounts Payable	\$ 271	\$ 22	\$ 30	\$ 45	\$ 336	\$ 60	\$ 0	\$ 0	\$ 902	\$ 11,135	\$ 12,801
Due to Student Groups	9,588	6,492	23,725	16,124	22,801	7,117	38,857	12,615	31,951	225,840	395,110
TOTAL LIABILITIES	<u><u>\$ 9,859</u></u>	<u><u>\$ 6,514</u></u>	<u><u>\$ 23,755</u></u>	<u><u>\$ 16,169</u></u>	<u><u>\$ 23,137</u></u>	<u><u>\$ 7,177</u></u>	<u><u>\$ 38,857</u></u>	<u><u>\$ 12,615</u></u>	<u><u>\$ 32,853</u></u>	<u><u>\$ 236,975</u></u>	<u><u>\$ 407,911</u></u>
NET ASSETS HELD IN TRUST	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

See independent auditor's report and accompanying notes to financial statements

GRAVES COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN DUE TO STUDENT GROUPS
ALL ACTIVITY FUNDS
For the Year Ended June 30, 2009

	Central Elementary	Cuba Elementary	Fancy Farm Elementary	Farmington Elementary	Lowes Elementary	Sedalia Elementary	Symsonia Elementary	Wingo Elementary	Graves County Middle School	Graves County High School	Totals (Memorandum only)
REVENUES:											
From local sources:											
Earnings on Investments	\$ 86	\$ 0	\$ 217	\$ 80	\$ 0	\$ 31	\$ 141	\$ 30	\$ 170	\$ 1,426	\$ 2,181
Student activities	64,902	12,568	29,848	109,170	51,651	31,096	38,380	47,489	122,494	872,540	1,380,138
Total Revenues	64,988	12,568	30,065	109,250	51,651	31,127	38,521	47,519	122,664	873,966	1,382,319
EXPENDITURES											
Student Activities	73,171	12,198	28,996	108,857	46,111	27,166	27,457	45,053	123,397	848,789	1,341,195
Total expenditures	73,171	12,198	28,996	108,857	46,111	27,166	27,457	45,053	123,397	848,789	1,341,195
Excess (deficit) of revenues over expenditures	(8,183)	370	1,069	393	5,540	3,961	11,064	2,466	(733)	25,177	41,124
Due to student groups, July 1, 2008	17,771	6,122	22,656	15,731	17,261	3,156	27,793	10,149	32,684	200,663	353,986
Due to student groups, June 30, 2009	<u>\$ 9,588</u>	<u>\$ 6,492</u>	<u>\$ 23,725</u>	<u>\$ 16,124</u>	<u>\$ 22,801</u>	<u>\$ 7,117</u>	<u>\$ 38,857</u>	<u>\$ 12,615</u>	<u>\$ 31,951</u>	<u>\$ 225,840</u>	<u>\$ 395,110</u>

See independent auditor's report and accompanying notes to financial statements

GRAVES COUNTY HIGH SCHOOL - ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS & FUND BALANCE
For the Year Ended June 30, 2009

	Cash Balance			Cash Balance	Accounts	Accounts	Fund Balance
	July 1, 2008	Receipts	Disbursements	June 30, 2009	Receivable	Payable	June 30, 2009
General Administrative	\$ 10,014.63	\$ 15,602.71	\$ 14,256.27	\$ 11,361.07	\$ 0.00	\$ 76.00	\$ 11,285.07
Credit Recovery	0.00	2,865.00	2,865.00	0.00	0.00	0.00	0.00
Youth Service Center	89.00	742.00	700.00	131.00	0.00	0.00	131.00
Graves County Board of Ed	0.02	1,655.99	1,640.01	16.00	0.00	212.76	(196.76)
School Culture	1,535.59	2,117.00	1,708.06	1,944.53	0.00	0.00	1,944.53
School Security	100.70	0.00	0.00	100.70	0.00	0.00	100.70
Counselors Activity	410.33	134.00	0.00	544.33	0.00	0.00	544.33
Senior Fees	539.20	11,585.30	10,755.26	1,369.24	0.00	0.00	1,369.24
West Nest	0.00	515.00	134.06	380.94	0.00	0.00	380.94
Book Rent	0.00	25,178.30	25,165.50	12.80	0.00	0.00	12.80
Lost & Damaged Books	0.00	4,875.91	4,652.04	223.87	0.00	49.30	174.57
Calculator Rental	6,425.18	7,380.00	9,037.98	4,767.20	0.00	0.00	4,767.20
Student Concessions	27,555.78	39,008.83	20,224.08	46,340.53	0.00	0.00	46,340.53
Staff Concessions	5,054.00	4,840.49	3,459.51	6,434.98	0.00	0.00	6,434.98
General (Fees)	781.59	65,135.95	63,545.93	2,371.61	0.00	0.00	2,371.61
Bank Charges	2,090.01	1,285.78	0.00	3,375.79	0.00	0.00	3,375.79
Bingo	0.33	0.00	0.00	0.33	0.00	0.00	0.33
Performing Arts Center	2,078.86	5,852.51	7,931.37	0.00	0.00	9.73	(9.73)
Performing Arts - Key	0.00	2,695.00	141.51	2,553.49	141.50	0.00	2,694.99
Athletic Reserves	1,093.85	2,509.55	635.90	2,967.50	1,580.65	0.00	4,548.15
General Athletics	0.00	18,229.81	18,229.81	0.00	0.00	0.00	0.00
Tournament Account	0.00	63,768.65	63,768.65	0.00	0.00	0.00	0.00
Sports Revenue	0.00	117,158.35	117,158.35	0.00	0.00	0.00	0.00
Special	0.00	17,374.61	16,549.61	825.00	0.00	0.00	825.00
Personal Seat License	1,000.00	0.00	0.00	1,000.00	0.00	0.00	1,000.00
Baseball	0.00	19,103.15	19,015.15	88.00	0.00	0.00	88.00
Boys Basketball	92.23	35,781.84	35,498.02	376.05	700.00	0.00	1,076.05
Elementary Basketball	480.17	35,337.97	34,130.70	1,687.44	0.00	0.00	1,687.44
Girls Basketball	2,644.40	25,692.93	22,052.99	6,284.34	0.00	0.00	6,284.34
Cheerleaders	4,635.01	50,750.12	52,156.17	3,228.96	4,900.00	0.00	8,128.96
Cross Country	1,006.64	11,227.58	10,146.45	2,087.77	0.00	0.00	2,087.77
Feds	2,575.80	4,490.02	4,611.48	2,454.34	0.00	0.00	2,454.34
Football	870.37	38,891.48	39,886.85	(125.00)	0.00	6,823.00	(6,948.00)
Football (Elem/Mid)	1,550.69	29,229.12	29,195.16	1,584.65	0.00	0.00	1,584.65
Golf	5,310.47	7,436.48	7,761.86	4,985.09	0.00	0.00	4,985.09
Girls Soccer	145.00	16,407.23	13,875.32	2,676.91	0.00	0.00	2,676.91
Boys Soccer	5,181.13	15,927.17	19,843.59	1,264.71	0.00	1,252.71	12.00
Softball	0.00	15,159.55	14,460.35	699.20	0.00	0.00	699.20
Swim Team	632.26	4,524.56	5,156.82	0.00	0.00	0.00	0.00
Tennis	5,903.61	9,929.00	12,153.19	3,679.42	0.00	0.00	3,679.42
Track	436.42	8,959.64	8,321.03	1,075.03	0.00	0.00	1,075.03
Volleyball	3,682.55	22,867.70	26,333.13	217.12	700.00	75.00	842.12
Academic Team	37.68	600.00	249.62	388.06	0.00	0.00	388.06
Agape Club	1.99	549.00	488.56	62.43	0.00	0.00	62.43
Art Club	161.50	0.00	161.50	0.00	0.00	0.00	0.00
Beta Club	3,616.98	2,279.81	3,063.11	2,833.68	0.00	0.00	2,833.68
Bookstore	6,220.72	26,628.89	24,803.64	8,045.97	0.00	0.00	8,045.97
Drama	949.22	942.66	762.10	1,129.78	0.00	0.00	1,129.78
JKG	1,512.57	2,100.00	1,878.81	1,733.76	0.00	0.00	1,733.76
Calculus Club	156.05	0.00	0.00	156.05	0.00	0.00	156.05
FBLA	309.92	8,455.78	8,743.37	22.33	0.00	0.00	22.33
DECA	1,199.75	20,970.90	21,562.42	608.23	47.00	0.00	655.23
FCA	2.41	847.00	456.92	392.49	0.00	0.00	392.49
Chess Club	20.00	0.00	0.00	20.00	0.00	0.00	20.00
Subtotals	108,104.61	825,600.32	799,327.21	134,377.72	8,069.15	8,498.50	133,948.37

GRAVES COUNTY HIGH SCHOOL - ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS & FUND BALANCE
For the Year Ended June 30, 2009

	Cash Balance July 1, 2008	Receipts	Disbursements	Cash Balance June 30, 2009	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2009
Curtain Call	\$ 44.73	\$ 1,210.10	\$ 76.50	\$ 1,178.33	\$ 0.00	\$ 0.00	\$ 1,178.33
FFA	13,044.95	55,933.96	60,495.55	8,483.36	0.00	199.80	8,283.56
Nat'l Sportsman Scholarship	260.00	60.00	0.00	320.00	0.00	0.00	320.00
Equine	0.00	0.00	0.00	0.00	1,800.00	0.00	1,800.00
Future Educators of America	210.31	0.00	0.00	210.31	0.00	0.00	210.31
FCCLA	3,984.40	11,349.94	13,111.92	2,222.42	0.00	0.00	2,222.42
STOP	592.72	242.00	135.35	699.37	0.00	0.00	699.37
Horticulture	8,330.38	14,678.69	13,031.78	9,977.29	0.00	231.79	9,745.50
TSA - Industrial Arts	552.65	615.00	757.12	410.53	0.00	0.00	410.53
Interact Club	1,347.69	268.40	0.00	1,616.09	0.00	0.00	1,616.09
Foreign Language - French	334.66	110.60	76.16	369.10	0.00	0.00	369.10
Library	1,981.02	1,430.59	2,828.62	582.99	0.00	0.00	582.99
Math Club	0.00	2,236.00	2,234.17	1.83	0.00	0.00	1.83
Newspaper	2,368.38	7,130.50	6,799.23	2,699.65	0.00	0.00	2,699.65
Pep Club	83.68	1,148.00	1,137.83	93.85	0.00	0.00	93.85
Prom	8,186.82	7,636.60	11,686.22	4,137.20	0.00	120.00	4,017.20
Science Club	404.24	4,884.67	4,213.95	1,074.96	0.00	0.00	1,074.96
Forensics (Speech)	35.06	9,027.07	7,749.34	1,312.79	350.00	1,533.40	129.39
STLP	851.68	0.00	0.00	851.68	0.00	0.00	851.68
Student Council	60.28	1,349.00	545.00	864.28	0.00	0.00	864.28
Spanish Club	607.76	110.87	100.00	618.63	0.00	0.00	618.63
GCHS Special Olympics	52.74	0.00	0.00	52.74	0.00	0.00	52.74
WGCE	4,988.91	20,977.00	20,148.01	5,817.90	0.00	0.00	5,817.90
Yearbook	17,355.87	84,052.50	86,831.41	14,576.96	0.00	6.36	14,570.60
Young Democrats	30.00	201.00	74.99	156.01	0.00	0.00	156.01
Young Republicans	175.50	36.00	0.00	211.50	0.00	0.00	211.50
Agriculture	1,498.63	1,610.00	1,504.63	1,604.00	0.00	0.00	1,604.00
AP Music Theory Fee	300.00	0.00	0.00	300.00	0.00	0.00	300.00
Art	538.31	2,186.00	1,641.41	1,082.90	0.00	0.00	1,082.90
Anatomy & Physiology	270.37	950.75	51.22	1,169.90	0.00	0.00	1,169.90
Astronomy	95.35	0.00	0.00	95.35	0.00	0.00	95.35
Business Dept	1,261.31	646.48	1,651.20	256.59	0.00	0.00	256.59
Advance Computer Tech	0.00	897.00	797.00	100.00	0.00	0.00	100.00
Instrument Maintenance	0.00	833.00	0.00	833.00	0.00	0.00	833.00
Band	122.46	111.75	127.50	106.71	0.00	0.00	106.71
Culinary Class	656.32	30.00	0.00	686.32	0.00	0.00	686.32
Choral	38.05	2,821.00	2,688.60	170.45	0.00	0.00	170.45
Fundamentals of Dance	0.00	525.00	490.00	35.00	0.00	0.00	35.00
Heart of the Purchase	1,829.56	0.00	0.00	1,829.56	0.00	0.00	1,829.56
Home Economics	0.00	5,435.00	4,584.18	850.82	0.00	0.00	850.82
Special Life Skills	194.42	1,048.65	1,158.72	84.35	36.00	0.00	120.35
Social Studies	0.00	4,090.00	3,983.01	106.99	0.00	0.00	106.99
Industrial Arts	712.53	870.00	1,443.32	139.21	0.00	0.00	139.21
Language Arts Books	261.82	661.50	231.53	691.79	0.00	0.00	691.79
Photojournalism	162.34	650.00	222.10	590.24	0.00	0.00	590.24
Foreign Language Fees	4,835.26	7,108.00	5,075.92	6,867.34	0.00	545.42	6,321.92
Orchestra	1,770.03	3,151.71	3,934.98	986.76	360.00	0.00	1,346.76
Best in the Nest	0.00	620.00	619.50	0.50	0.00	0.00	0.50
Boys/Girls Soccer Loan	1,828.05	8,014.95	9,843.00	0.00	0.00	0.00	0.00
Savings	10,299.00	4,555.59	0.00	14,854.59	0.00	0.00	14,854.59
Subtotal	92,558.24	271,504.87	272,080.97	91,982.14	2,546.00	2,636.77	91,891.37
Previous page subtotal	108,104.61	825,600.32	799,327.21	134,377.72	8,069.15	8,498.50	133,948.37
Less: Interfund Transfers	0.00	233,754.17	233,754.17	0.00	0.00	0.00	0.00
Total	\$ 200,662.85	\$ 863,351.02	\$ 837,654.01	\$ 226,359.86	\$ 10,615.15	\$ 11,135.27	\$ 225,839.74

REPORTS REQUIRED BY THE SINGLE AUDIT ACT

GRAVES COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Homeland Security:</u>			
Direct grants:			
Disaster Grants - Public Assistance	97.036		54,979
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			54,979
<u>U.S. Department of Education:</u>			
Direct grants:			
Fund for the Improvement of Education	84.215	5188 & 5189	209,367
Passed Through State Dept. of Education:			
Special Education Grants to States	84.027	3810002 07 & 08	1,124,317
Special Education Preschool Grants	84.173	3800002 07 & 08	77,713
Total Special Education Cluster			1,202,030
Title I Grants to Local Educational Agencies	84.010	3100002 07 & 08 & 3100102 07 & 08	1,127,170
Safe and Drug-Free Schools and Communities State Grants	84.186	3410003 06 & 3410002 08	38,056
Improving Teacher Quality State Grants	84.367	3230002 07 & 08 & 3230003 07	231,097
Education Technology State Grants	84.318	3210002 08	10,665
		4620932 08, 4620832 07,	
Vocational Education Basic Grants to States	84.048	4620910 08 & 4620810 07	43,528
Migrant Education State Grant Program	84.011	3110002 06, 07 & 08	19,263
State Grants for Innovative Programs	84.298	3500002 07 & 3500003 07	1,775
English Language Acquisition Grants	84.365	3300002 08	26,433
Passed through State Department of Juvenile Justice:			
Title I Program for Neglected and Delinquent Children	84.013	3139	15,223
TOTAL U.S. DEPARTMENT OF EDUCATION			2,924,607
<u>U.S. Department of Health & Human Services:</u>			
Passed through Murray Board of Education:			
Head Start	93.600	6554	152,054
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			152,054
<u>Corporation for National and Community Service:</u>			
Passed Through State Dept. of Education:			
Learn and Serve America	94.004	1000001 08 & 1000002 08	13,183
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			13,183
<u>U.S. Department of Labor:</u>			
Passed through State Workforce Cabinet:			
WIA Youth Activities	17.259	274SR09 08 & 5989	56,185
TOTAL U.S. DEPARTMENT OF LABOR			56,185
<u>U.S. Department of Agriculture:</u>			
Passed through State Dept. of Education:			
National School Lunch Program	10.555	7750002 08 & 09	917,214
School Breakfast Program	10.553	7760005 08 & 09	507,367
Summer Food Service Program for Children	10.559	7740023 08 & 7690024 08	17,022
Total Child Nutrition Cluster			1,441,603
Passed through Kentucky Dept. of Agriculture:			
Food Commodities (Note B)	10.550	042-0100	118,443
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,560,046
TOTAL FEDERAL ASSISTANCE			\$ 4,761,054

See accompanying notes to schedule
of expenditures of federal awards

GRAVES COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2009

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Graves County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. Per USDA instructions, commodities expended are recorded at an amount equal to commodities received and the inventory at June 30, 2009 is combined with purchased food inventory.

NOTE C – RECONCILIATION OF SCHEDULE TO FINANCIAL STATEMENTS

The following is a reconciliation of the total in the schedule of expenditures of federal awards to the total federal revenue included in the statement of revenues, expenditures and changes in fund balances – governmental funds on page 12 of the audit report and in the statement of revenues, expenses, and changes in net assets – proprietary funds on page 15 of the audit report:

Total intergovernmental – indirect federal from page 12	\$	3,146,029
Total federal grants from page 15		1,496,582
Donated commodities from page 15		118,443
Plus: Amount of federal funds coded as a negative expenditure		<hr/>
Total on page 42	\$	<u><u>4,761,054</u></u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for School District Audits
and Members of the Board of Education
Graves County School District
Mayfield, Kentucky

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Graves County School District as of and for the year ended June 30, 2009, which collectively comprise the Graves County School District's basic financial statements and have issued my report thereon dated November 12, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements*, *Appendix II of the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract – Electronic Submission*..

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Graves County School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Graves County School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Graves County School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Graves County School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Graves County School District's financial statements that is more than inconsequential will not be prevented or detected by the Graves County School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Graves County School District's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Graves County School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards or state audit requirements.

I noted certain matters that I reported to management of the Graves County School District in a separate letter dated November 12, 2009.

This report is intended solely for the information and use of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Graves County School District, the Kentucky Department of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Benton, Kentucky
November 12, 2009

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Kentucky State Committee for School District Audits
and Members of the Board of Education
Graves County School District
Mayfield, Kentucky

Compliance

I have audited the compliance of Graves County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Graves County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Graves County School District's management. My responsibility is to express an opinion on Graves County School District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements*, *Appendix II of the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract – Electronic Submission*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Graves County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Graves County School District's compliance with those requirements.

In my opinion, Graves County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Graves County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Graves County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Graves County School District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. In addition, the results of my tests disclosed no instances of noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract - State Audit Requirements.

This report is intended solely for the information and use of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Graves County School District, the Kentucky Department of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Benton, Kentucky
November 12, 2009

**GRAVES COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009**

I. SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unqualified opinion on the financial statements of the Graves County School District.
2. No significant deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Graves County School District were disclosed during the audit.
4. No significant deficiencies in internal control over the major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for Graves County School District expresses an unqualified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 relative to the major federal award programs for Graves County School District.
7. The programs tested as major programs included:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Fund for the Improvement of Education	84.215
Title I Grant to Local Educational Agencies	84.010

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Graves County School District was determined to be a low-risk auditee.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the current year required to be reported in this schedule.

III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the current year required to be reported in this schedule.

**GRAVES COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2009**

There were no prior year audit findings reported in the Schedule of Findings and Questioned Costs for either the Financial Statement Audit or the Major Federal Award Programs Audit.

MANAGEMENT LETTER POINTS

Kentucky State Committee for School District Audits
and Members of the Board of Education of
Graves County School District
Mayfield, Kentucky

In planning and performing my audit of the financial statements of Graves County School District for the year ended June 30, 2009, I considered the District's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit I became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. A separate report dated November 12, 2009 contains my report on the District's internal control structure. This letter does not affect my report dated November 12, 2009 on the financial statements of the Graves County School District.

I will review the status of these comments during my next audit engagement. I have already discussed many of these comments and suggestions with various District personnel, and their implementation is currently being reviewed. I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

Benton, Kentucky
November 12, 2009

**GRAVES COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS**

June 30, 2009

CORRECTED PRIOR YEAR COMMENTS

In the prior year, it was noted that the District did not utilize controls or procedures at the High School or Middle School to properly record the location of equipment when it is moved. Management of the District took steps to have each school take an inventory of assets at the end of the school year and adjustments were made on the MUNIS system to reflect the current location of the assets; however, during the summer, technology equipment is often moved from one location to another. Because of this, when we tested the existence of fixed assets, a few were in a different location than that recorded in the fixed asset system. While there appears to be improvement in this area, we recommend that further steps be taken to maintain lists of assets that are moved so that the MUNIS system may be updated shortly after the relocation of assets.

CURRENT YEAR COMMENTS

School Food Service Verification of Eligibility

As a part of our audit procedures, we examine documentation related to the verification of the eligibility of students under the free and reduced meal program. Beginning with the fiscal year ended June 30, 2009 all Districts are required to conduct direct certification of all children from food stamp (SNAP) households each year. By November 15th of each school year, the Food Service Director is responsible for pulling a sample of applications from non-food stamp/TANF households to verify the information listed. A packaged software application is used to pull a sample based on the number of applications on file. A list of 29 applications was printed and letters to those households were sent to request documentation to support initial eligibility determination. Of the 29 households, the director was unable to provide files with documentation for eight (8). Documentation is required to be retained for a minimum of three years. We understand that an auditor from the state has audited the files in question at some point during the past fiscal year. We saw a request for responses to certain items based on that audit; however, we have not reviewed a final report.

Management's Response

The Food Service Director indicated that an auditor from the state had previously reviewed the files that were missing. Since that time, she has been unable to locate some of the documentation that had been in the files. She has stated that she will provide us with a copy of the final report from the state auditor, which she believes says that all documentation was in the files at the time of her audit. In the future, the food service personnel will attempt to make copies of documents for items requested from the files.

Fixed Asset Inventory

As a part of our audit procedures, we judgmentally selected certain assets at four schools from a list of assets by location printed from the MUNIS fixed asset system in order to test for existence of the assets. Out of ten assets selected at Central Elementary, one projector could not be located. Out of ten assets selected at Graves County Middle School, one laptop could not be examined as it was believed a teacher had taken it home to work on. Out of ten assets selected at the Board office, five could not be located and one was located at the high school. Out of ten assets selected at Graves County High School, one laser printer could not be located. The District has worked on taking inventories of fixed assets at each location and has made improvements from the prior year in this area. We recommend that a sign-out sheet be used when assets are going to be taken offsite. A list of assets moved from one location to another should also be maintained at each school and submitted to the Board office.

Management's Response

We have been working on inventory lists. Each school takes an inventory at the end of the school year and employees at the Board office work on updating the MUNIS system to more properly reflect the assets in existence, with large differences investigated. In the summer, our technology personnel works on checking computers and other equipment at each school for maintenance needs. While doing this, computers are often moved to be updated or repaired and another computer will be put in its place. We have procedures in place to prevent student workstations from being taken offsite without authorization. A teacher will sometimes need to take a laptop home for work purposes, which we feel is necessary from time to time. We will continue to look for ways to keep better track of portable assets of value.

**GRAVES COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS - CONTINUED**
June 30, 2009

School Activity Funds

Exceptions to recommended procedures were noted at some schools as listed below. Most of the schools had only minor exceptions, and these are listed only as tools to assist the school in improving procedures and for administration to be aware of any areas which they may wish to address when conducting meetings with school personnel.

- 1) Central Elementary School: In our test of disbursements, we noted one check written to Scholastic News for \$13.50 more than the supporting documentation. The actual invoice was for \$287.04. There was a deduction on the invoice for \$103.50 based on a manual calculation of 23 at \$4.50, which appears to be checks written by parents directly to Scholastic News. The net amount after this was subtracted was \$183.54; however the check amount was for \$197.04. Supporting documents should match the amount of the check. We also noted the interfund transfer forms were being approved by one person only. "Red Book" procedures require the signature of the principal, treasurer and, if applicable, the remitting activity fund's sponsor/teacher.

Response – When there are manual calculations on an invoice, we will check for mathematical accuracy and if there are any differences, it will be noted on the invoice so that the supporting documentation will match the check amount. We will have the interfund transfer forms signed by the appropriate personnel in the future.

- 2) Cuba Elementary School: In our test of disbursements, we noted one check that was signed by the principal only. "Red Book" procedures require two signatures on all activity fund checks.

Response – We are aware of the policy for two signatures and believe this was an oversight. We will make every effort to prevent checks from being issued with only one signature.

- 3) Fancy Farm Elementary School: In our test of disbursements, we noted one check to Wal-Mart that included \$4.72 sales tax and one to Chek Mart for \$14.24 for which we could not locate any supporting documentation. The school is exempt from sales tax on purchases of items. A Board policy is in place to prohibit activity fund purchases directly from Wal-Mart. A purchase order should be obtained and all Board policies followed. All disbursements should be supported by either a vendor's invoice or a standard invoice with detail of the purchase or service.

Response – We will follow Board policy in the future on purchases in order to avoid paying sales tax. We feel the Chek Mart receipt may have been filed incorrectly. We will be more diligent in obtaining and filing all supporting documentation.

- 4) Farmington Elementary School: In our test of disbursements, we noted the supporting documentation for one check paid to another school within the district was a blank sheet of paper with calculations, but no payee name listed on it. We also noted a check for a reimbursement to PTO for a shirt order, but there was no copy of the invoice that had been paid by PTO to support the amount. For reimbursements to other organizations, a standard invoice should be used with copies of invoices paid by the other organization attached to show detail of the items. "Red Book" procedures require two signatures on all activity fund checks. We noted a check to Wal-Mart for \$44.28 which was signed by the principal only. In our test of disbursements, out of 25 checks selected at random to test, four were paid to Wal-Mart. A Board policy is in place to prohibit activity fund purchases directly from Wal-Mart. A purchase order should be obtained and all Board policies followed.

Response – We will follow Board policy in the future regarding the use of purchase orders and will make extra efforts to be certain that all disbursements are supported by a vendor's invoice or a standard invoice prior to making payment. We are aware of the policy for two signatures and believe this was an oversight. We will make every effort to prevent checks from being issued with only one signature.

**GRAVES COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS - CONTINUED**
June 30, 2009

- 5) Lowes Elementary: We noted one check to Scholastic News for \$11.20 that was paid from a late notice which did not include detail of the purchase. All disbursements should be supported by detailed documentation and should be made in a timely manner.

Response – We did not receive the original invoice from this vendor. If we receive a late notice from a vendor, we will contact the vendor to request a copy of the original documentation.

- 6) Sedalia Elementary: In our test of disbursements, we noted four checks paid to Wal-Mart. Because of the electronic check processing system used by this vendor, no imaged copy of the original check is received with the bank statement. While the vendor does give the check back to the purchaser, unless it is filed with other supporting documentation, we are unable to verify the two authorized signatures required to be on the check. Also, Board policy prohibits direct purchases from Wal-Mart by an activity fund. A purchase order should be obtained and Board policies followed.

Response – We will follow Board policy in the future regarding the use of purchase orders. If purchases are made from any vendor that processes checks electronically, we will file the original check with the receipt to provide proof of dual authorized signatures.

- 7) Symsonia Elementary: The books and records of the activity fund were neatly and accurately kept. Cash receipts appeared to be properly recorded and deposited in a timely manner. Disbursements appeared to have proper supporting documentation, which was approved by the principal, and fund sponsor, where applicable. Activity fund transfers appeared to have proper supporting documentation with approvals by the fund sponsor. The staff is to be commended for the excellent condition of the records.

- 8) Wingo Elementary: In our test of disbursements, there was no documentation for one check for \$50 and another check to the post office was signed by the treasurer only. All checks are required to have two authorized signatures and all disbursements should be supported by either a vendor's invoice or a standard invoice.

Response – We do use standard invoices for payments to individuals and are unsure if this was an oversight or if the form has been filed incorrectly. We are aware of the policy requiring two signatures and also feel this was an oversight only. We will be more diligent in these areas in the future.

- 9) Graves County Middle: We noted that out of ten activity fund transfer forms reviewed, four had one signature only. "Red Book" procedures require the signature of the principal, treasurer and, if applicable, the remitting activity fund's sponsor/teacher.

Response – We will have forms signed by the appropriate personnel in the future.

**GRAVES COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS - CONCLUDED**

June 30, 2009

- 10) Graves County High: In our test of cash receipt tickets, we noted one deposit that was short \$50 of the total of the receipts. If there is a discrepancy discovered by the bank when processing the deposit, any efforts to determine the reason should be noted. We also noted two disbursements with standard invoices as documentation; however, the vendor did not sign the standard invoice. The signature of the vendor is required to certify the amount and description. In our test of activity fund transfer forms, we noted ten that were signed by the principal only. "Red Book" procedures require the signature of the principal, treasurer and, if applicable, the remitting activity fund's sponsor/teacher. In our test of an inventory control worksheet, we noted the total of the beginning inventory plus the value of deliveries listed was \$340 less than the total of the receipts from sales plus the value of the ending inventory. There was no indication on the form as to the reason for this difference. Possibilities for this could include the beginning inventory being too low, a delivery of snacks not being listed, or the ending inventory being too high. Proper procedures indicate that a reason for any difference that is significant be investigated and explained. A budget for only 16 activity funds could be located. "Red Book" procedures state that all activity fund sponsors should submit a budget to the principal by April 15 for the following school year.

Response – When possible, we explain any amounts over or short. If no explanation can be found, we will note that on the copy of the deposit receipt. The standard invoices that were not signed were to students for refunds. Because the checks were dated in the summer, we believe they were mailed to them. We attempt to obtain signatures on all standard invoices, but if one is mailed to a former student, we may not get the forms back signed. We will obtain required signatures on the interfund transfer forms and will investigate differences on the inventory control worksheets in order to make corrections or to explain large differences. We will inform activity fund sponsors that budgets are required to be submitted to the principal by April 15.